

PERFORMANCE ASSURANCE PLAN

VERIZON PENNSYLVANIA

(WITH ATTACHMENTS)

(NY(pa) PAP)

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PERFORMANCE ASSURANCE PLAN

I. INTRODUCTION

The Pennsylvania Performance Assurance Plan (“Pennsylvania PAP”) is a self-executing remedy plan that will ensure Verizon Pennsylvania (“Verizon PA”) continues to provide quality wholesale services to competitive carriers after Verizon PA has gained entry into the long distance market pursuant to Section 271 of the Telecommunications Act of 1996. The Pennsylvania PAP is based on the New York PAP and Guidelines. The Change Control Assurance Plan (“CCAP”) contained in Appendix I is also consistent with the New York Plan.

A. The Pennsylvania PAP

The Pennsylvania PAP has three major components: (1) the metrics used to report performance; (2) the methodology used to determine billing credits, including service segmentation, scoring method, and other rules described in the plan document; and (3) the dollars at risk. Each of these components is summarized below and is discussed in more detail in the following sections and Appendices.

1. Measures and Standards

The Pennsylvania PAP utilizes essentially the standards and measures set forth in the Pennsylvania Carrier-to-Carrier Guidelines (“C2C”). The C2C measures include hundreds of individual data points that track and report on performance. Some metrics are compared with analogous Verizon retail services to ensure parity of service and others, where no retail analog exists, are reviewed on the basis of absolute standards. The Pennsylvania PAP incorporates the same C2C measures and standards as in New York, where a subset of the C2C measures were selected for inclusion in the PAP.

2. Methodology

(a) Service Segmentation

The Pennsylvania PAP includes three service segmentations: Mode of Entry (“MOE”), Critical Measures, and Special Provisions.

The MOE segment measures the overall level of service on an industry-wide basis for each method or mode by which carriers can enter the local exchange market under the Telecommunications Act of 1996, *i.e.* resale, unbundled network elements, interconnection trunks and DSL. Any bill credits generated in any one of these modes are allocated to competitors purchasing those types of services. The MOE component of the Pennsylvania PAP is fully described in Section II.C. and in Appendices A and E.

The Critical Measures component measures performance in 12 critical areas that have been identified as most important to the provision of quality service. The Critical Measures are a subset of the measures included in the MOE segment. Additional bill credits will be provided for performance on these measures that fail to meet the standards. This segment provides a mechanism to assure that carriers are receiving non-discriminatory service on an individual basis. The complete list of Critical Measures is enumerated in Appendix B and scoring/credit calculations are in Appendix F.

The Special Provisions segment focuses on a number of measures that are viewed as measuring key aspects of Verizon PA’s performance. This segment establishes targets that Verizon PA must achieve for flow-through, order processing, hot-cuts, Local Service Request confirmations, and reject notices. Verizon PA will provide bill credits to those carriers who receive service below target levels. The Special Provisions measures are described in Section II.E. and Appendix H.

(b) Change Control Assurance

Verizon PA is also subject to a separate Change Control Assurance Plan (“CCAP”). Change Control is designed to measure Verizon PA’s performance in implementing revisions to OSS interfaces and business rules that affect CLECs. The Change Control process is common to carriers operating in Pennsylvania and New York. Under the Change Control Assurance Plan, \$6.24 million in bill credits will be available to all CLECs in Pennsylvania for unsatisfactory performance on four Change Control metrics. Change Control credits are described in Section II. B.2.

(c) Statistical Test

The Pennsylvania PAP uses statistical methodologies as one means to determine if “parity” exists between Verizon PA’s wholesale and retail performance. For measures where parity is the standard and a sufficient sample size exists, a “modified z statistic” is used. The statistical methodology is described in Appendix D.

(d) Scoring

Each of the measures within the MOE segment is graded with a 0, -1, or -2 based on the statistical analysis and the magnitude of the difference between the level of wholesale service provided for the month and the corresponding standard for each measure. The performance score for each metric is then weighted. These weights were developed to reflect the importance of that metric in determining that markets are open to competition. Critical Measures performance is scored against sliding scales based on the statistical score and the magnitude of the difference between levels of wholesale service provided and the applicable standards. Special Provisions are scored against absolute standards of performance. Each of the scoring, weighting, and credit distribution processes is contained in Appendices A, B, C, E, and F.

(e) Self-executing aspects

Verizon PA will report its performance on the Pennsylvania PAP on a monthly basis. Within 30 days of the close of the second month after the month for which performance is being reviewed, PAP credits will be processed for each CLEC. The Pennsylvania PAP is intended to completely supersede interconnection agreement performance plans. Accordingly, credits will be paid only under the Pennsylvania PAP and incentive, remedy or penalty credits or payments will not be due to a CLEC under an interconnection agreement. The plan will become effective the first full calendar month following Verizon PA's entry into the interLATA long distance market in Pennsylvania.

3. **Dollars at Risk**

The structure of the Pennsylvania PAP includes three credit categories: Mode of Entry, Critical Measures, and Special Provisions. Each category has a Pennsylvania-specific credit schedule and cap that are presented in greater detail in the Appendices. The Pennsylvania PAP contains a maximum dollar amount at risk. The total cap for Verizon PA is \$182.9 million annually, which is made up of a Pennsylvania PAP cap of \$176.66 million and a CCAP cap of \$6.24 million. The distribution of dollars is as follows:

	Dollars at Risk (millions)
Mode of Entry	\$46.82
Doubling of MOE	\$46.82
Critical Measures	\$50.56
Special Provisions	
Flow Through	\$6.24
Hot Cut Performance	\$14.98
EDI	\$11.24
CCAP	\$6.24
Verizon Pennsylvania Total	\$182.9

These amounts are all proportional to the amounts in the NY PAP, but scaled to the lower

ARMIS net income in Pennsylvania. Conditions for doubling of the MOE dollars at risk are explained fully in Section II.C.2. In addition, there is an additional category for Special Provisions associated with ordering that provides for an additional \$14.98 million, to be paid from the MOE dollars at risk, if Verizon PA does not meet service standards and has not reached the cap level for MOE. If Verizon PA's performance results in payments that reach the overall monetary cap, the Commission, at its discretion, may open a proceeding to resolve the underlying service problem. The Commission retains the discretion to investigate extraordinary wholesale service performance issues and to take appropriate corrective action.

II. PROVISIONS OF THE PLAN

A. Measures, Methods of Analysis and Standards

1. Measures

The measures and standards in the Pennsylvania PAP have been taken directly from the Pennsylvania Carrier-to-Carrier Guidelines Performance Standards and Reports as filed with the Pennsylvania Commission on July 16, 2001 in Docket M00011468. These guidelines are based on the New York C2C guidelines, but have been adjusted to apply more precisely to Pennsylvania conditions, as described in Verizon PA's July 16th C2C filing. These Guidelines cover the areas of Pre-order, Ordering, Provisioning, Maintenance and Repair, Billing and Network Performance.

2. Methods of Analysis

Verizon PA will use two interrelated methods to monitor wholesale performance to CLECs on the performance measurements. The first method is designed to measure Verizon PA's overall Section 271 performance in four categories that correspond to the methods or modes CLECs use to enter the local exchange market: Resale; Unbundled Network Elements ("UNEs"); Interconnection (Trunks); and DSL. This is referred to as the Mode of Entry ("MOE") Measurements method, and a total of \$46.82 million in annual bill credits, with potential for doubling per the provisions in Section II.C.2, will be available to CLECs if Verizon PA provides the sufficiently unsatisfactory performance in all four MOE categories. (See Appendix A.) The MOE measurements provide a mechanism to measure the overall level of Verizon PA's service to the entire CLEC industry in the four areas.

The second method, referred to as the Critical Measures measurements, measures Verizon PA's performance in 12 critical areas, on both a CLEC-specific and a CLEC-aggregate

basis. The Critical Measures, which are a subset of the measures included in the MOE segment are: (1) OSS Interface; (2) % On-Time Ordering Notification; (3) % Completed; (4a) % Missed Appointment - VZ - Total - EEL; (4b) % Missed Appointments; (5) % Missed Appointments - VZ - No Dispatch - Platform; (6) Hot Cut Performance; (7) % On-Time Performance - UNE LNP; (8) Missed Repair Appointments, (9) Mean Time to Repair; (10) % Repeat Reports within 30 days, (11) Final Trunk Groups Blocked, and (12) Collocation. A total of \$50.56 million in annual bill credits will be available to CLECs if Verizon PA provides substantially out of parity performance on all 12 Critical Measures. (See Appendix B.) The Critical Measures cover Verizon PA's service in areas critical to the CLECs and provide a mechanism to assure that CLECs on an individual basis are receiving non-discriminatory service.

In addition, the Plan contains a "Special Provisions" segment that focuses on a number of measures that measure key aspects of Verizon PA's performance after it gains entry into the InterLATA long distance market. In order to ensure that Verizon PA will provide satisfactory service in these key areas, *e.g.*, flow through and hot cuts, \$21.22 million is made available in addition to the \$97.38 million available under the MOE and Critical Measures for bill credits for these measures. In addition, \$14.98 million will be available for certain UNE ordering measures, to be paid from the MOE dollars at risk, if Verizon PA does not meet service standards and has not reached the cap level for MOE. (See Section II.E. *infra*.)

3. Standards

Each measure will be evaluated according to one of two standards. For the measures where a Verizon Pennsylvania retail analog exists, a "parity" standard will be applied.¹ For

¹ The parity measures in the Plan fall into two categories: Measured variables and Counted variables. Measured variables are metrics of means or averages, such as mean time to repair. Counted variables are metrics of proportions such as percent measures.

those measures where no retail analogs are available, an absolute standard has been specified as a surrogate to determine whether Verizon PA is providing non-discriminatory service to the CLECs. The metrics with absolute standards are displayed in Appendix C.

B. Distribution Of The MOE and Critical Measures Credits

1. Distribution of Bill Credits

Annual bill credits totaling \$46.82 million are attributed to the MOE measures and are distributed to each of the MOE categories in amounts that reflect the importance of that MOE to local exchange competition. Each month one-twelfth (1/12) of the annual amount will be available for bill credits. (*See Appendix A.*) An analogous distribution applies to the \$50.56 million associated with Critical Measures bill credits. (*See Appendix B.*)

2. Reallocation of Potential Bill Credits

The Commission will have the authority to reallocate the monthly distribution of bill credits between and among any provisions of the Plan and the Change Control Assurance Plan.. Any reallocation will be done pursuant to Commission Order, after notice and hearing.

C. MOE Scoring And Bill Credit Calculations

1. Scoring

The measures and standards for the MOE measurements have been placed into four categories: Resale, UNE, Interconnection (Trunks) and DSL. Since the 1996 Act requires that Verizon PA provide interconnection “that is at least equal in quality” to that provided to itself, and “nondiscriminatory access” to unbundled elements, each month Verizon PA will apply statistical tests, which are described in Appendix D, to Verizon PA and CLEC performance data

to develop z scores, t scores or equivalent permutation scores for the measures.² When these statistical scores are greater than -1.645 , which indicates that there is not 95% confidence that the Verizon's wholesale and retail performance are different, a Performance Score of 0 (zero) will be applied to the measure for the month. When these statistical scores are less than or equal to -1.645 , the actual performance differences between wholesale and retail will be converted into a performance score for each MOE measure as follows:

All Parity Measures	>-1.645	Parity	Parity
All Percent Measures	≤ -1.645	0.1 to 5 Percentage Points	>5 Percentage Points
Network Trouble Report Rate	≤ -1.645	0.10 to 0.25	> 0.25
Average Delay Days	≤ -1.645	0.10 to 1	>1
Mean Time to Repair	≤ -1.645	0.10 to 2	>2

For small sample sizes of measures with a parity standard, the Permutation Test will be applied to obtain the statistical scores, which will be converted into a performance score. (See Appendix D.)

Measures with absolute standards will be given a performance score of 0, -1, or -2 depending on the performance for that measure. (See Appendix C.) For small sample sizes of measures with an absolute standard of 95%, a small sample size table will be applied to obtain the performance scores.

² The statistical methodologies set forth in Appendix D were taken from the New York State Carrier-to-Carrier Guidelines Performance Standards and Reports in Case 97-C-0139.

Thus, for each of the measures within the four MOE categories, Verizon PA's performance will be graded 0, -1, or -2. The performance score for each metric will then be weighted, based upon the importance of the metric in determining whether that MOE is open to competition. (See Appendix A, which lists the weights for the MOE measurements.) The weighted scores will then be aggregated (averaged) by each MOE category (Resale, UNE, Interconnection and DSL), producing an overall weighted score for each of the four categories.

2. Bill Credit Calculations

If Verizon PA's overall (aggregate) performance score in the four categories falls below a minimum score in any given month, wholesale price reductions in the form of bill credits will be implemented and remain in effect for one month.³ If an overall score falls to the maximum score or below, the maximum wholesale price reduction will be implemented. Scores between the minimum and maximum scores will also be entitled to credits pursuant to a credit table for each MOE category. Credit Tables with the range of scores between the minimum and maximum and the applicable rates appear in Appendix A. The bill credits payable to the CLECs will be determined each month by dividing the amount from the table in Appendix A by the actual monthly volumes of the CLEC units in service. The measurement units for each of the MOEs is as follows:

1. UNE – Lines in service at end of month;
2. Resale – Lines in service at end of month;
3. Interconnection (Trunks) – Minutes of use in month; and
4. DSL – Lines in service at end of month.⁴

³ The intent is that the minimum score for each MOE category corresponds to the threshold at which there is a 95% certainty that parity does not exist.

⁴ For the purpose of the Plan:

1. Lines in service for UNE means UNE-Platform lines, all types of loops and IOF.

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The maximum scores represent the maximum allowable out of parity condition. The minimum and maximum performance scores and the start point percentages are as follows:

	<u>Minimum Market Adj</u>	<u>Maximum Market Adj</u>	<u>% Market Adj at Minimum⁵</u>
UNE	-.17129	-.67000	20%
Resale	-.16922	-.67000	20%
Interconnection	-.31909	-1.00000	20%
DSL⁶	-.19705	-.67000	20%

If an aggregate MOE score is less than one half the difference (*i.e.*, below the midpoint) between the minimum and maximum scores in any one of the four MOE categories for three consecutive months, the amounts in the credit tables in Appendix A for that same three-month period will be doubled for the applicable MOE category. (The midpoints for the MOEs are delineated in Appendix A.) The amounts in Appendix A will remain doubled until such time as Verizon PA achieves a score of one quarter (or greater) the difference between the minimum and maximum scores in that category in any given month. Appendix E provides a detailed step-by-step description of how the MOE performance scores and bill credits will be calculated and distributed to the CLECs.

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2. Lines in service for Resale means Resale lines plus circuits.
3. Trunks – minutes of use per month.
4. Lines in service for DSL means DSL UNE loops and line shared loops.

⁵ The “% Market Adj At Minimum” indicates the amount of monthly bill credits that will be due to CLECs if Verizon PA trips the minimum score. For example, if Verizon PA were to score -.173 on the UNE MOE in a month, 20% of the \$2,341,000 monthly amount would be due. (See Appendix A.)

⁶ The minimum and maximum market adjustment scores above for DSL have been calculated assuming PR-3-03 to be an absolute measure. However, if the provisioning interval for line sharing to CLECs is better than the absolute standard, PR-3-03 would be scored as a parity measure, and the scores would range from -0.22082 to -0.67000.

3. The Domain Clustering Rule

Domain Clustering will provide CLECs with an additional layer of protection under the MOE mechanism. The term Domain refers to four groups of service quality measures (*i.e.*, Pre-Order Ordering, Provisioning, and Maintenance and Repair) that are included in the UNE, Resale and DSL MOEs. Under the Domain Clustering Rule, each Domain will be reviewed each month. If 75% or more of the respective Ordering, Provisioning, or Maintenance and Repair Domain weights are tripped, the higher of the clustering overlay or overall market score will be used to determine the market adjustments for the UNE, Resale and DSL MOEs. The same rule will apply to the Pre-Ordering Domain, except that the clustering overlay would be effective if all Pre-Ordering response time measures failed at the -2 level, in which case 75% would be used in the overlay calculations. The Domain Clustering methodologies are set forth in detail in Appendix E.

D. Critical Measures Scoring And Bill Credit Calculations

1. Scoring

Verizon PA's performance in 12 measurement categories is critical to the CLECs' ability to compete in the Pennsylvania local exchange market. Should Verizon PA performance miss the applicable performance standards for even *one* of these 12 categories, eligible CLECs will be entitled to bill credits. (See Appendix B.) The statistical tests and performance scoring mechanism described in the MOE section also apply to these measures.⁷

Since the Critical Measures segment uses the performance scores on individual measures instead of an overall weighted score for a category to determine when credits are due, mitigation

⁷ To the extent that a Critical Measure contains more than one measure, the weights from Appendix A will be used to determine the amount of bill credits available for the individual measure.

for Type I error will also be applied on individual measures for measures with a parity standard. Within a plan year, measures with a performance score of -1 will be changed from -1 to a 0 in as many as two months in a plan year.⁸ Changes from a -1 to a 0 may not be made for a metric that also missed its standard in the immediately previous month

2. Bill Credit Calculations

For each Critical Measure, Verizon PA's performance for all CLECs during a given month will be averaged. Should the resulting performance score in any one category fall to -1 or below ("sub-standard performance"),⁹ 50% of the maximum bill credits for that measure will be payable to eligible CLECs. The eligible CLECs are all those CLECs that received Sub-Standard Performance during that month (the "Aggregate Rule"). In addition, should any CLEC receive sub-standard performance for two consecutive months, bill credits for that CLEC will be implemented for the two month period, notwithstanding the fact that all CLECs on average may have received satisfactory performance during the two months (the "Individual Rule").¹⁰

⁸ The probability of a Type I error grows with the number of opportunities for them to occur. With a 95% confidence level, the probability of a Type I error in a single month is 5%. A probability of a single Type I error in 12 months is 46%. The probability of two or more Type I errors in 12 months is 12% and the probability of 3 or more is only 2%. Thus an allowance for 2 changes in performance scores reduces the effects of Type I errors without dropping below the standard 5% Type I error probability.

⁹ The Permutations Test will be used to derive Z and t scores for measures with small sample sizes as described in the Guidelines and Appendix D.

¹⁰ If all CLECs on average received an aggregate score below -1 for both months, the individual CLEC with the below average score would be entitled to bill credits for the Critical Measure in question under the Aggregate Rule. Likewise, if all CLECs on average received an aggregate score below -1 for the first of the two months and an aggregate score above -1 for the second month, the individual CLEC with sub-standard performance during both months would be entitled to receive bill credits pursuant to the Aggregate Rule for the first month and pursuant to the Individual Rule for the second month. A CLEC is only entitled to receive Bill Credits under the Individual Rule if it receives a score of -1 or less in a Critical Measure category and the CLEC group on average received a score greater than -1 for the Critical Measure.

Bill credits will increase by ten incremental amounts for performance scores between -1 and -2. The amounts payable to each CLEC will be in direct proportion to the amount of service that CLEC receives from Verizon PA compared to the other CLECs who received sub-standard performance pursuant to the critical measure. For example, under Critical Measure No. 10, % Repeat Reports within 30 days, the percent of bill credits for an unsatisfactory score would be calculated by determining the number of lines a CLEC had compared to other CLECs that received sub-standard performance.¹¹ If a score falls to the maximum level, the maximum bill credits will be implemented for the Critical Measure in question.

Appendix F provides a detailed step-by-step description of how the Critical Measures scores and bill credits will be calculated and distributed to the CLECs.

E. Special Provisions

A number of key measures have been identified that measure aspects of Verizon PA's performance on service quality items that are viewed as essential for CLECs during the first year after Verizon PA's entry in the InterLATA market. Accordingly, additional funds will be made available for these measures under the subparagraphs described below.

1. Flow Through Measures For UNEs

Verizon PA will make an additional \$6.24million available for potential bill credits, which will be paid on a quarterly basis, for the following flow through UNE metrics measured on a cumulative quarterly basis: OR-5-01 “% Flow Through - Total” and OR-5-03 “% Flow Through Achieved.” A performance standard that increases from 70% to 80% over the first 6 quarters of the plan will apply to OR-5-01 UNE, from -- 86% to 95% over the first 6 quarters of

¹¹ For Collocation – bill credits distribution will be determined by the cages completed during month, *i.e.*, collocation arrangements completed: all arrangements including (a) physical, (b) virtual and (c) other collocation arrangements provided under tariff.

the plan will apply to OR-5-03 UNE and from 84%% to 95% over the first 6 quarters of the plan will apply to OR-5-03 Resale. If at the end of any quarter Verizon PA has not achieved one of these two performance standards, it will distribute 1.56 million in bill credits. Any bill credits due under this section will be calculated based upon quarterly performance beginning with the first calendar quarter after the effective date of this plan. The bill credits will be available to all CLECs purchasing UNEs. Any amounts due will be credited based on the CLEC's lines in service.¹² The scoring methodology for this measure is set forth in more detail in Appendix H.

2. UNE Ordering Performance

An additional \$1,248,333 per month, or \$14.98 million annually, will be made available for bill credits for four non-flow through UNE performance measures:

- OR-1-04 % On Time LSRC < 10 lines (Electronic) – POTS
- OR-1-06 % On Time LSRC ≥ 10 lines (Electronic) – POTS
- OR-2-04 % On Time LSR Reject < 10 lines (Electronic) – POTS
- OR-2-06 % On Time LSR Reject ≥ 10 lines (Electronic) – POTS

Funding for these additional bill credits will come from any unused MOE funds in a month or the six prior months. \$312,083 in bill credits per metric will be distributed under this section to all CLECs ordering UNEs based on the CLEC's lines in service if performance is less than 90% on the respective measures. For small sample sizes of measures with an absolute standard of 90%, a small sample size table will be applied to obtain the performance scores (Appendix C). These credits will be distributed like the bill credits under Critical Measures, Aggregate Rule. (See Appendix H.)

¹² Lines in service will equal: UNE-P, UNE Loops, IOF, and EEL Loops.

3. Additional Hot Cut Performance Measures

An additional \$14.98 million for bill credits will be made available for service quality related to two Hot Cut Performance Measures: PR-9-01 “Missed Appointment - % on Time Performance - Hot Cut” and PR-6-02 “Installation Quality - % Installation Troubles Reported Within 7 Days.” Bill credits will be paid under this section if either of two events occurs:

- (a) If for any two consecutive months, Verizon PA fails to achieve either 90% on-time performance for Hot Cuts or scores greater than a 3.00% rate for installation troubles within 7 days for hot cuts, Verizon PA will distribute \$624,167 in bill credits to the affected CLECs. These credits will be distributed like the bill credits under Critical Measures, Aggregate Rule. If Verizon PA fails to meet either of these measures in the first month, but meets them in the second month, no bill credits will be due.
- (b) If for any one month, Verizon PA fails to achieve 85% on-time performance for Hot Cuts or scores greater than a 4.00% rate for installation troubles within 7 days for hot cuts, Verizon PA will distribute \$1,248,333 in bill credits to the affected CLECs for that month. These credits will be distributed like the bill credits under Critical Measures, Aggregate Rule. (See Appendix H.)

4. Electronic Data Interchange Measures

In order to ensure that the Electronic Data Interchange (“EDI”) between Verizon PA Operational Support Systems (“OSS”) and the CLEC systems is providing non-discriminatory service, \$11.24 million in additional funds will be made available for the measures described below.

a. % Missing Notifier Trouble Ticket PONs Cleared Within 3 Business Days

This measure is defined as the percent of EDI missing notifier trouble ticket PONs cleared within 3 business days from the day of receipt of the trouble ticket. The elapsed

time begins with receipt at the Verizon Systems Support Help Desk of a trouble ticket for the EDI missing notifiers (*i.e.*, order acknowledgement, order confirmation, order rejection, work completion, and billing completion notices) with the PONs in questions enumerated with the appropriate identification. The ticket is considered cleared when Verizon PA has either requested the CLEC to resubmit the PON or communicated the current status of the PON and provided the delayed status notifier to the CLEC. Tickets received after 5 P.M. and trouble ticket clearances sent after 5 P.M. will be considered effective on the following business day. Performance shall be reported for the week in which the trouble ticket was received. This measure has a standard of 90% and \$624,444 in additional bill credits are available per month for CLECs if this is not satisfied. In addition, this measure is subject to the requirement that no more than 5% of the orders resubmitted by CLECs at Verizon PA's request are rejected as duplicates. Verizon PA must satisfy both standards to avoid the payment of bill credits. (*See Appendix H.*)

b. % SOP To Bill Completion Notice("BCN") Within 4 Business Days

This measure is defined as the percent of orders provisioning complete in Verizon PA's Service Order Processor ("SOP") that have BCN notices within 4 business days. The source of this information is the DCAS PON Master File. The start time is when physical completion of the order has been entered into SOP. The end time is when the BCN is time stamped in DCAS. \$312,222 in additional bill credits will be available for this measure. (*See Appendix H.*)

F. The Change Control Assurance Plan

A total of \$6.24 million will be placed at risk for the Change Control Process for those CLECs operating in Pennsylvania. The credits will be made available using the same methodology used in New York. The Change Control process that is currently in place is common to systems in Pennsylvania and New York. The proposed CCAP is attached in Appendix I and is consistent with the CCAP currently effective in New York.

G. Monthly Reports

In order to ensure that there is timely information regarding Verizon PA's performance, Verizon PA will report its performance on a monthly basis. Each month following Verizon's entry into long distance in Pennsylvania, a 9-page report will be made available to all CLECs providing service in Pennsylvania.

A sample copy of the report appears in Appendix G. The first four pages will provide information regarding the MOE measures and will include:

1. Verizon PA actual performance to its retail customers where such measures exist and to CLECs for each metric;
2. The number of observations for Verizon PA and the CLECs for each measure (where applicable);
3. The Verizon PA standard deviation (where applicable);
4. The sampling error (where applicable);
5. The appropriate statistical scores (where applicable)¹³ or the difference between Verizon PA's and the CLECs' actual performance on the measure (where applicable);
6. A performance score for each measure;

¹³ A Permutations Test will be applied to small sample sizes to obtain a probability. The probability will be converted to a Z or t score, which in turn will be converted to a performance score as described in the Guidelines and Appendix D.

7. The weight for each measure;
8. The weighted performance score; and
9. An aggregation of the performance scores, weighted performance scores, and aggregate bill credits¹⁴, if any, due under each MOE.

The fifth page will list the Critical Measures and the bill credits, if any, that are due for these measures on an aggregate CLEC basis. The sixth page will include Special Provisions. The seventh page will include a summary of the CCAP measures and the bill credits due, if any. The eighth page will provide a summary of the total bill credits, if any, due the CLEC industry. The ninth page will provide the amount, if any, due to the individual CLEC for the MOE and Critical Measures.¹⁵ The monthly report will be provided within 27 days of the end of each month following Verizon's entry into the long distance market in Pennsylvania.

Verizon PA will provide a separate report on all measures that will be established in the Pennsylvania C2C proceeding (Docket 3195), allowing for future additions, deletions and other modifications ordered by the Commission. In addition, to the extent allowed by law, Verizon PA will make available CLEC-specific C2C electronic reports enabling those receiving the reports to evaluate performance at greater levels of detail. The C2C reports will be made available to any CLEC requesting the reports.

H. Bill Credits Payment

Under the Pennsylvania PAP, a CLEC will receive bill credits only under the PAP, as the PAP will completely supercede any interconnection agreement performance plan.

Should Verizon PA's performance not meet the standards set forth above for the MOE and Critical Measure measurements, CLECs will receive bill credits for those MOE categories or

¹⁴ Bill credit information will be provided and processed quarterly.

¹⁵ The computer model that will be used to calculate the MOE and Critical Measures bill credits will
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Critical Measures scores that fall below the respective minimum levels. Credit amounts will be made within 30 days of the close of the second month after the month under review.

If the bill credits exceed the balance due Verizon PA on the CLEC's bill, the net balance will be carried as a credit on to the CLEC's next month's bill.

Verizon PA will issue checks in lieu of outstanding bill credits to CLECs that discontinue taking service from Verizon PA and have no outstanding bill balance. If a CLEC has a balance due to Verizon PA, a check will be issued only in the amounts by which outstanding bill credits exceed any balance due from the CLEC.

I. Term Of Performance Assurance Plan

The plan will become effective the first full calendar month following Verizon PA's entry into the interLATA market and the Commission will reevaluate the appropriateness of the Plan when Verizon PA eliminates its Section 272 affiliate. Until such time as a replacement mechanism is developed or the Plan is rescinded, the Plan will remain in effect, as it may be modified from time to time by the Commission.

J. Exceptions and Waiver Process

Recognizing that C2C service quality data may be influenced by factors beyond Verizon PA's control, Verizon PA may file Exception or Waiver petitions with the Commission seeking to have the monthly service quality results modified on three grounds. The first involves the potential for "clustering" of data, and the effect that such clustering has on the statistical models used in this Plan. The requirements of the clustering exception are set forth in Appendix D.

The second ground for filing an exception relates to CLEC behavior. If performance for any measure is impacted by unusual CLEC behavior, Verizon PA will bring such behavior to the

(... Continued)

be posted on Verizon PA's TISOC Website after the Plan becomes effective.

attention of the CLEC and attempt to resolve the problem. Examples of CLEC behavior which may influence performance results include:

1. poor order quality, such as missing codes, incorrect codes or misspelled directory listings;
2. actions that cause excessive missed appointments, such as wrong addresses, wrong due dates or offered intervals shorter than the standard interval;
3. actions resulting in excessive multiple dispatch and repeat reports, such as incorrect dispatch information or inadequate testing by a CLEC;
4. inappropriate coding on orders, such as where extended due dates are desired and are not coded as such;
5. delays in rescheduling appointments when Verizon PA has missed an appointment.

If such action negatively influences Verizon PA's performance on any metric, Verizon PA will be permitted to petition for relief. The petition, which will be filed with the Commission and served on the CLEC, will provide appropriate, detailed documentation of the events, and will demonstrate that the CLEC behavior has caused Verizon PA to miss the service quality target. Verizon PA's petition must include all data that demonstrates how the measure was missed. It should also include information that excludes the data affected by the CLEC behavior. CLECs and other interested parties will be given an opportunity to respond to any Verizon PA petition for an Exception. If the Commission determines that the service results were influenced by inappropriate CLEC behavior, the data will be excluded from the monthly reports.

The third ground for filing a waiver relates to situations beyond Verizon PA's control that negatively affect its ability to satisfy only those measures with absolute standards. The performance requirements dictated by absolute standards establish the quality of service under normal operating conditions, and do not necessarily establish the level of performance to be

achieved during periods of emergency, catastrophe, natural disaster, severe storms, work stoppage, or other events beyond Verizon PA's control.

Verizon PA may petition the Commission for a waiver of specific performance results for those metrics that have performance targets dictated by absolute standards, if Verizon PA's performance results do not meet the specific standard. This waiver process shall not be available for those metrics for which Verizon PA's wholesale performance is measured by comparison to retail performance (parity metrics).

Any petition pursuant to this provision must demonstrate clearly and convincingly the extraordinary nature of the circumstances involved, the impact that the circumstances had on Verizon PA's service quality, why Verizon PA's normal, reasonable preparations for difficult situations proved inadequate, and the specific days affected by the event. The petition must also include an analysis of the extent to which the parity metrics (retail and wholesale) were affected by the subject event, and must be filed within 45 days from the end of month in which the event occurred.

The Commission will determine which, if any, of the daily and monthly results should be adjusted in light of the extraordinary event cited, and will have full discretion to consider all available evidence submitted. Insufficient filings may be dismissed for failure to make a *prima facie* showing that relief is justified.

K. Annual Review, Updates And Audits

1. Annual Review, Updates and Audits

Each year the Commission and Verizon PA may review and/or audit the Performance Assurance Plan to determine whether any modifications or additions should be made. During this review, the Commission and Verizon PA can determine, among other things, whether: (1) measures and weights should be modified, added or deleted; (2) modifications should be made to the distribution of dollars at risk among the four MOE and Critical Measures categories; (3) geographic deaveraging should be adopted for reporting metric results; (4) the clustering and CLEC behavior exceptions included in Appendix D should be modified; (5) small sample size procedures should be modified; and (6) the methodologies used to calculate the bill credits should be modified.¹⁶ All aspects of the Plan, however, will be subject to review. The total dollars at risk will be automatically recalculated each year to equal 36% of Net Return using the most recent ARMIS results available, but will not exceed the original amount of \$182.9 Million.¹⁷ The annual review process may be initiated no more than six months before the anniversary date of Verizon PA's entry into the long distance market pursuant to Section 271. Any modifications to the Plan will be implemented as soon as is reasonably practical after the issuance of a Commission order approving the modifications.

¹⁶ In particular, during the first annual review, the methodology used to calculate amounts due to CLECs under the Individual Rule for bill credits under the Critical Measures category will be analyzed to determine whether the rule provides for an appropriate distribution of bill credits.

¹⁷ Net Return will be calculated using the formula used by the FCC in approving the New York Performance Assurance Plan. Using the ARMIS 43-01 Report the Net Return is calculated using State results for the equation +Total Operating Revenues – Total Operating Expenses + Other Operating Income/Loss – Non-Operating Items – Other Taxes – Federal Income Taxes and then adding Interstate results for the Net Return line item.

2. Changes to the New York Plan

Changes to the New York Plan adopted by the New York PSC will be filed with the Pennsylvania Commission within 30 days for review and inclusion in the Pennsylvania Plan upon the Commission's approval.